

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6582

BILL NUMBER: SB 274

NOTE PREPARED: Jan 26, 2006

BILL AMENDED:

SUBJECT: Impounding Property Taxes in Annexed Territory.

FIRST AUTHOR: Sen. Long

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill requires a municipality, for an annexation that is effective after December 31, 2005, to impound property taxes imposed on the annexed territory in a fund for at least three years to pay for additional services not provided for in the fiscal plan. (Current law requires the impoundment of property taxes for annexed territory only if the territory meets certain population density and lot size requirements.)

Effective Date: January 1, 2006 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: This bill removes the population density and lot size requirements that limit which municipalities must impound property taxes imposed on an annexed territory. A municipality now subject to this provision will be required to impound such property taxes to pay for additional services that were not specified in the annexation plan. The impact of this bill could potentially be a fiscal constraint on a municipality that otherwise would have spent the tax revenue from annexed territory on more general expenditures. Other exemptions are provided in existing statute for certain municipalities and annexation ordinances.

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected: Certain annexing municipalities.

Information Sources:

Fiscal Analyst: Valerie Ruda, 317-232-9867.